

**INTERPRETIVE ORDER**  
**CONCERNING BROKER-DEALERS, INVESTMENT ADVISERS,**  
**BROKER-DEALER AGENTS, AND INVESTMENT ADVISER REPRESENTATIVES**  
**USING THE INTERNET FOR GENERAL DISSEMINATION**  
**OF INFORMATION ON PRODUCTS AND SERVICES**

WHEREAS, the Kansas Securities Commissioner (the "Commissioner") is charged with the administration of the Kansas Securities Act (the "Act"), K.S.A. 17-1252 et seq. and Regulations promulgated under the Act;

WHEREAS, in K.S.A. 17-1270(f) of the Act, it is provided, in part, that "[t]he commissioner may from time to time make, amend, and revoke such . . . orders . . . as may be necessary to carry out the provisions of this act. . . .";

WHEREAS, in K.S.A. 17-1254(a) of the Act, it is provided "[i]t is unlawful for any person to transact business in this state as a broker-dealer or agent unless that person is registered under this act . . . .";

WHEREAS, in K.S.A. 17-1254(c) of the Act, it is further provided "[i]t is unlawful for any person to transact business in this state as an investment adviser or as an investment adviser representative unless . . . the person is so registered under this act . . . .";

WHEREAS, in K.S.A. 17-1254(d) of the Act, it is further provided "[i]t is unlawful for any person . . . registered as an investment adviser . . . to employ or associate with an investment adviser representative unless the investment adviser representative is registered under this act. . . .";

WHEREAS, the Commissioner acknowledges that the Internet, the World Wide Web, and similar proprietary or common carrier electronic systems (collectively, the "Internet") have facilitated greatly the ability of broker-dealers, investment advisers, broker-dealer agents, and investment adviser representatives to advertise and otherwise disseminate information on products and services to prospective customers and clients;

WHEREAS, the Commissioner also acknowledges that certain communications made on the Internet are directed generally to anyone having access to the Internet and may be transmitted through postings on Bulletin Boards, displays on "Home Pages," or similar methods ("Internet Communications");

WHEREAS, the Commissioner further acknowledges that in certain instances, by distributing information on available products and services through Internet Communications available to persons in this state, broker-dealers, investment advisers, their broker-dealer agents, and their investment adviser representatives could be construed as "transacting business" for purposes of K.S.A.

17-1254(a), (c), and (d) of the Act so as to require registration in this state, since the Internet Communications would be received in this state regardless of the intent of the person originating such communication; and

WHEREAS, the Commissioner finds that the issuance of this Order is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act;

**NOW, THEREFORE, IT IS HEREBY ORDERED** as follows:

1. Broker-dealers, investment advisers, broker-dealer agents ("BD agents"), and investment adviser representatives ("IA reps") who use the Internet to distribute information on available products and services through certain communications made on the Internet directed generally to anyone having access to the Internet, and transmitted through postings on Internet Communications shall not be deemed to be "transacting business" in this state for purposes of K.S.A. 17-1254(a), (c), and (d) of the Act based solely on that fact if the following conditions are observed:

A. The Internet Communication contains a legend in which it clearly states that:

1) the broker-dealer, investment adviser, BD agent, or IA rep in question may only transact business in this state if first registered, excluded or exempted from state broker-dealer, investment adviser, BD agent, or IA rep registration requirements, as may be; and

2) follow-up, individualized responses to persons in this state by such broker-dealer, investment adviser, BD agent, or IA rep that involve either the effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as may be, will not be made absent compliance with state broker-dealer, investment adviser, BD agent, or IA rep registration requirements, or an applicable exemption or exclusion;

B. The Internet Communication contains a mechanism, including and without limitation, technical "firewalls" or other implemented policies and procedures, designed reasonably to ensure that prior to any subsequent, direct communication with prospective customers or clients in this state, the broker-dealer, investment adviser, BD agent, or IA rep is first registered in this state or qualifies for an exemption or exclusion from such requirement. Nothing in this paragraph shall be construed to relieve a state registered broker-dealer, investment adviser, BD agent, or IA rep from any applicable securities registration requirement in this state;

C. The Internet Communication does not involve either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as may be, in this state over the Internet, but is limited to the dissemination of general information on products and services; and

D. In the case of a BD agent or IA rep:

1) the affiliation with the broker-dealer or investment adviser of the BD agent or IA rep is prominently disclosed within the Internet Communication;

2) the broker-dealer or investment adviser with whom the BD agent or IA rep is associated retains responsibility for reviewing and approving the content of any Internet Communication by a BD agent or IA rep;

3) the broker-dealer or investment adviser with whom the BD agent or IA rep is associated first authorizes the distribution of information on the particular products and services through the Internet Communication; and

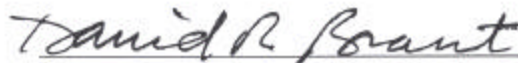
4) in disseminating information through the Internet Communication, the BD agent or IA rep acts within the scope of the authority granted by the broker-dealer or investment adviser;

2. The position expressed in this Interpretive Order extends to state broker-dealer, investment adviser, BD agent, and IA rep registration requirements only, and does not excuse compliance with applicable securities registration, antifraud, or related provisions;

3. Nothing in this Order shall be construed to affect the activities of any broker-dealer, investment adviser, BD agent, and IA rep engaged in business in this state that is not subject to the jurisdiction of the Commissioner as a result of the National Securities Markets Improvements Act of 1966, as amended; and

4. This Order shall remain in effect unless and until subsequently amended or rescinded.

IT IS SO ORDERED at Topeka, Kansas, on this 29th day of October, 1997.



*David R. Brant*

David R. Brant  
Securities Commissioner  
State of Kansas